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TOBACCO'S TRUE IMPACT

On state's economic stage, tobacco plays a small role

As anti-smoking efforts move through the courts and Congress this summer, The Courier-Journal found tobacco's place in the statewide economy is far less important than widely believed. But for some people — a farmer, a retailer, a cancer patient — the fight to shackle Big Tobacco hits especially close to home.

STORIES BY JIM HOPKINS; PHOTOGRAPHS BY PAT MCDONOGH; GRAPHICS BY JOANNE MESHEW, THE COURIER-JOURNAL

The Farmer

Name: Mattie Mack **Age:** 61 **Residence:** Brandenburg **Smoker?** No

MACK AND HER husband, Bill, have a 100-acre farm near Brandenburg in Meade County, where they expect to plant seven acres of tobacco this year. It will be the 61st tobacco harvest — the statewide average.

Mack, who achieved a measure of fame by publicly challenging President Clinton's anti-tobacco policies during a visit to Louisville last year, says she needs tobacco to keep her family farm running. She says the decision whether to smoke ought to be left up to parents and adults — not government regulators.

"Is tobacco bad for your health?

"No [more] dangerous than coffee — they used to say that coffee was dangerous, if you drink it — and eggs and all that stuff. ... You've got to watch what you put in your body up and you can die from that, too. I'd rather meet a guy with a cigarette than the one with a gun and drinking alcohol."

Kentucky is second only to North Carolina in annual tobacco production. About two-thirds of the state's farms grow tobacco, and it's generally the most valuable of any of the crop grown.

Mack owns one of about 59,000 tobacco farms in Kentucky. Like most tobacco farms, hers is small and gets easy, however. Most are tiny, part-time operations, some of which barely qualify as farms. More than half have less than three acres of tobacco and a majority of the farmers earn only a small part of their income from growing the crop.

North Carolina, by comparison, has fewer tobacco farms — about 18,000 — but average acreage is three times bigger, partly explaining why it produced about $2.3 billion worth of tobacco last year to Kentucky's $864 million.

Those figures are gross sales, not what farmers actually make after expenses. A typical Kentucky grower sells about $12,000 worth of tobacco a year, and turns about $6,000 in profit, depending on how much work he does himself. To supplement their income, a majority have jobs off the farm.

There are two main reasons Kentucky has so many small tobacco farms.

First, the federal program gives every tobacco farm a quota — or the right to grow and sell a fixed amount of tobacco at a guaranteed price. Quotas can be leased to others for use in the same county, but can't be leased across county lines. That effectively prevents the creation of sprawling, multi-county farms.

Second, the U.S. Agriculture Department has a liberal definition for what constitutes a farm: any place that produces and sells $1,000 worth of commodities — such as tobacco, corn or hogs — in a given year.

Because tobacco sells at such high prices compared to other crops — about $4,095 an acre — someone could grow as little as a quarter-acre and be counted as a farmer.

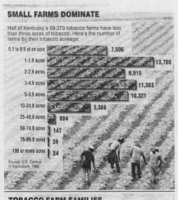
TOP TOBACCO STATES

Kentucky has more than half the nation's farms growing tobacco, and it's generally the most valuable of any of the crops grown in each state and the value of the crop.

Source: U.S. Agriculture Department

SMALL FARMS DOMINATE

Half of Kentucky's 59,373 tobacco farms have less than three acres of tobacco. Here's the number of farms in each size category:



TOBACCO FARM FAMILIES

The industry and some government officials treat all tobacco farms as though they're family operations. But the number of farms with hired tobacco farm families represents just 6 percent of all the farms in Kentucky.

Source: U.S. Census of Agriculture, 1992

KENTUCKY HAS LOWEST TOBACCO TAX

Kentucky's excise tax on a pack of cigarettes is the lowest in the nation.

The Tobacco Retailer

Name: John Taylor **Age:** 57 **Residence:** Jefferson County **Smoker?** No

TAYLOR IS CO-OWNER of Beverly's Quality, a convenience store at 522 Cherokee Road in Louisville. He worries that his sales will fall if Congress raises the price of cigarettes.

"I don't think a convenience store anywhere from $2.75 to $3 a package. I hear a lot of people who will complain about that price, so obviously if we increase that by a third or by a half, I have to believe it will affect the sale of tobacco products."

Convenience stores and supermarkets are the biggest sellers of tobacco, producing both jobs and tax revenue for the state. Kentucky's approximately 10,000 retailers employ about 40,000 people, not counting those on tobacco sales, which account for as much as a quarter of their profits.

About 750 million packs of cigarettes are sold in Kentucky every year. At an average $1.49 per pack, that's $1.1 billion in sales, or about $1 out of $20. Total retail jobs devoted to selling tobacco, according to an estimate by the industry's Tobacco Institute, about 4,700, with an annual payroll of $72 million.

Despite those sales, the taxes raked on a drop in the bucket compared with all state revenue.

Kentucky's cigarette excise tax, 3 cents per pack, is effectively the lowest in the nation. (Virginia's, at 2½ cents a pack, is lower, but local-option taxes there make it the highest-in-the-South.) Kentucky's $80 million in retail and sales taxes on cigarettes — an amount equal to about 13 percent of the total $5.1 billion in state tax revenues.

The Cigarette Factory Worker

Name: Cindy Burton **Age:** 32 **Residence:** Jefferson County **Smoker:** Since she was 14, but quit a year ago. **Her brand:** Virginia Slims (Philip Morris Inc.)

BURTON INSPECTS tobacco at the Philip Morris cigarette factory in Louisville at Broadway and 18th Street. An employee since January 1987, she makes $9.65 an hour, earning $19,340 an hour, or around $41,000 a year.

Burton was frustrated with the direction of anti-tobacco legislation in Congress, particularly with how lawmakers would spend the money.

"They start getting their hands into it and want to put it in other places besides where it's important."

Although farmers are the icon of the tobacco industry, a study by the industry itself shows manufacturing employment — consisting mostly of factory workers like Burton — to be the more valuable part of the whole.

The wages of all the state's tobacco farmers and their employees added up to $270 million in 1991, the year the most recent study by the tobacco industry group, measured tobacco's impact in Kentucky.

But the 5,300 manufacturing workers and executives in the state made more than $1.2 billion that year, the study said.

The majority of those manufacturing employees are in Louisville, where 2,600 work at the Philip Morris complex on Broadway, producing brands that include Marlboro and Benson & Hedges. The payroll there is about $120 million a year, according to Philip Morris.

Another 330 — all white-collar and other office workers — are at the headquarters of Brown & Williamson Tobacco Corp. at Fourth and Liberty streets. B&W wouldn't disclose its payroll.

Although cigarette factory workers make up less than 2 percent of the total manufacturing jobs in the state, Philip Morris and B&W are among the single-biggest employers and charitable givers in Jefferson County.

DIVIDING THE CIGARETTE DOLLAR

On average, U.S. tobacco manufacturers get about 50 cents of every dollar spent on cigarettes. The breakdown:

Manufacturers:	Excise taxes:	Wholesaler-retailer:	Farmers:
50 cents	25 cents	23 cents	3 cents

Note: Total is more than 100 cents due to rounding.

Source: U.S. Agriculture Department

The Smoker

Name: Brian Harvey **Age:** 37 **Residence:** Louisville **Smoker:** Yes **Brand:** Kool (Brown & Williamson)

AN ASSISTANT cafeteria manager, Harvey smoked his first cigarette when he was 9 years old. Nearly 30 years later, he's smoking a pack a day.

Harvey didn't think much of the idea — part of recently defeated legislation in Congress — that higher prices on cigarettes would reduce smoking among teen-agers. Teens will smoke no matter what, he said.

"When I first started smoking, they were 30 cents for a pack. When they went up to 60, I figured it would quit. ... It's a hard habit to break."

Nearly 32 percent of Kentucky adults smoke cigarettes — the nation's highest rate, according to the latest survey by the Centers for Disease Control and Prevention in Atlanta. That figure, for 1996, is an increase from 28 percent the year before.

Kentucky's rate of teen-age smoking, at 1995-96 as well, but the percentage increase in Kentucky was four times the U.S. average.

Among teen-agers, 47 percent are occasional smokers — up from 34 percent in 1993 — and as many as 28 percent of teen-agers are considered regular smokers, according to the CDC, based on released national average teen-age rates for 1997. Total adult and youth smokers in the state: More than 800,000.

The Cancer Patient

Name: Suzanne Harlee **Age:** 61 **Residence:** Jefferson County **Smoker?** Began smoking at 14; quit 10 years ago. **Favorite brands:** Camel, More (Reynolds Tobacco), Marlboro (Philip Morris), Kool (Brown & Williamson)

HARLEE HAS ASBESTOSIS, a cancer of the liver well associated with smoking. The disease can happen on unusual medical bills have been $25,000 since 1990. After one cancer surgery, her breathing was helped by a machine that pulled air out of her lungs through plastic tubes.

"I used to take that machine and unplug it and drag it into the bathroom and smoke. And one day I looked down and there was smoke going out those tubes. That's when I quit for seven months."

Depending on which figures are used, Kentucky's $1.1 billion in annual tobacco revenue becomes outweigh its direct health care costs.

The widely quoted 1994 study by the industry's Tobacco Institute doesn't address tobacco-related health care expenses, even though its authors call the study a "comprehensive analysis" of the economic activity generated by the tobacco industry.

The Centers for Disease Control and Prevention says medical costs in Kentucky related to smoking total $1.4 billion annually, about 20 percent of that is picked up by state taxpayers.

By comparison, tobacco contributes $2 billion toward the value of all goods and services produced in the state. It directly accounts for about $700 million in state and local government taxes.

However, the social impact — premature deaths — is harder to measure.

In 1996, the most recent year for which figures were available, 3,340 people in the state died of lung cancer, the nation's most common cancer killer. Consequently, Kentucky's lung cancer death rate is 36 percent above the U. S. average and is the nation's highest.

Jim Beach of Midwest, head of the anti-tobacco group Kentucky Action, believes the total health care cost is higher if you take into account the lost productivity of workers who smoke.

LUNG CANCER'S TOLL

Deaths

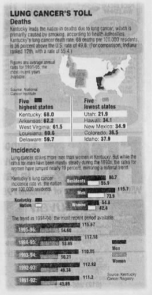
Kentucky leads the nation in deaths due to lung cancer, which is primarily caused by smokers. According to latest 1992-94 statistics, Kentucky's rate is 88.4 deaths per 100,000 residents, or 38 percent above the U.S. rate of 63.8. For comparison, Indiana ranked 12th, with a rate of 70.3.

Figures are average annual deaths per 100,000 residents.

Five highest states		Five lowest states	
Kentucky	88.0	Utah	21.9
Arkansas	80.0	Hawaii	34.1
West Virginia	81.5	New Mexico	34.9
Louisiana	80.5	Colorado	36.5
Delaware	78.7	Idaho	37.8

Incidence

Lung cancer strikes more men than women in Kentucky. But while the rate for men has been mostly steady during the 1990s, the rate for women has jumped nearly 14 percent, making a dubious trend.



Source: Kentucky Cancer Registry

Suzanne Harlee with a photo of herself in her early 20s.

The Small Business Owner

Name: Allene Miller **Age:** 57 **Residence:** Metcalfe County **Smoker?** No

MILLER OWNS The Country Store, a western clothing store in Edmonton, the center of tobacco-dependent Metcalfe County in south-central Kentucky. Miller says she and her lone employee would suffer financially from a decline in tobacco sales.

"I don't raise tobacco, and I can understand where they're coming from, I sure can. ... If we didn't have the farmer, we wouldn't really have much of anything. I know a lot of people around here that don't like money, God bless the dirt farmer."

The tobacco industry produces spinoff jobs as tobacco dollars ripple through counties such as Metcalfe.

But even the Tobacco Institute concedes it is hard to nail down the number of farm jobs tied to retail clerks, barbers, car salesmen and others like Miller who rely partly on tobacco farmers and tobacco cigarette factory workers. The institute's estimate for Kentucky: 50,000 spinoff jobs.

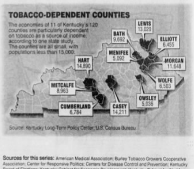
Some critics, however, say that figure is overstated. They say it implies all those jobs are irretrievably tied to tobacco and could never be replaced if tobacco sales decreased.

The Congressional Research Service — an arm of Congress — says a large but unknown number of jobs wouldn't disappear because as consumers spend less on cigarettes, they'll spend that much more on other goods.

Dr. Kenneth Warner, a researcher at the University of Michigan's School of Public Health, says farmers would either switch to other crops or take non-farming jobs, and consumers would spend money, thereby continuing to support spinoff employment.

TOBACCO-DEPENDENT COUNTIES

The economies of 11 of Kentucky's 120 counties are particularly dependent on tobacco as a source of income, according to one state study. The counties and their 1995 tobacco-farm jobs (top 10 counties):



Source: Kentucky Long-Term Policy Center, U.S. Census Bureau

Sources for this series: American Medical Association; Burley Tobacco Growers Cooperative Association; Center for Responsive Politics; Centers for Disease Control and Prevention; Kentucky Board of Elections; Kentucky Cabinet for Economic Development; Kentucky Cabinet for Workforce Development; Kentucky Career Registry; Kentucky Department of Public Health; Kentucky Long-Term Policy Research Center; Kentucky Long-Term Policy Research Center; Kentucky Revenue Cabinet; National Association of Convenience Stores; Tri-Tobacco Institute; Tobacco Merchants Association; U.S. Census Bureau; U.S. Department of Agriculture; U.S. Department of Commerce; University of Kentucky.

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